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December 31, 1998

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VIA FEDERAL EXPRESS

FCC MAIL ROOM

Magalie R. Salas, Secretary
Federal Communications Commission
1919 M Street NW, Room 222
Washington, D.C. 20554

Re: Ex Parte Disclosure Pursuant to 47 C.F.R. §1.1206
CC Docket No. 96-45/DA 98-1691
Petition of Washington Utilities & Transportation Commission and
Twenty Rural Telecommunications Companies Re: ETC Designation

Dear Ms. Salas:

INTRODUCTION

Pursuant to the Public Notice issued in the above-referenced matter on August 24, 1998, and 47 C.F.R. §1.206, we submit two copies of this disclosure on behalf of the Petitioners Washington Utilities and Transportation Commission (WUTC) and Twenty Rural Telecommunications Companies¹ (Petitioning Companies).

On December 14, 1998, legal counsel to the Petitioners and a member of the WUTC staff engaged in a conference call with Craig Brown of the Federal Communications Commission

¹The following companies joined in the above-referenced petition (Petition): Asotin Telephone Company; CenturyTel of Cowiche; CenturyTel of Washington, formerly Telephone Utilities of Washington; Ellensburg Telephone Company; Hat Island Telephone Company; Hood Canal Telephone Co., Inc.; Inland Telephone Company; Kalama Telephone Company; Lewis River Telephone Company; Mashell Telecom, Inc.; McDaniel Telephone Company; Pend Oreille Telephone Company; Pioneer Telephone Company; St. John, Co-operative Telephone And Telegraph Company; Tenino Telephone Company; The Toledo Telephone Co., Inc.; United Telephone Company of the Northwest; Western Wahkiakum County Telephone Company; Whidbey Telephone Company; and Yelm Telephone Company.

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(Commission) staff and Robert Hager of the Universal Service Administrative Company (USAC). We discussed the general thrust of the Petition, whether granting the Petition was necessary this year, and how, in general, the mechanism for allocating universal service funds to competing carriers in rural areas would work. In the course of the conversation, it was agreed that the Petitioners would provide information on two issues. First, we would provide the Petitioners' position on the appropriate process should the cost model, on which the proposed allocation methodology is based, be revised. Second, we agreed to provide our position on the appropriate entity to run the cost model and allocations, if and when the proposed methodology is implemented.

We set forth our views below. In addition, we provide additional comment on whether it is important for the Commission to act on this Petition in the near future.

REVISIONS TO COST MODEL

The Petition envisions use of the Benchmark Cost Proxy Model (BCPM) to provide cost information at the census block group (CBG) level within a given wire center. While we believe use of the BCPM current at the time of the Petition will continue to yield results which will appropriately classify CBGs as either "core" or "fringe" areas (zones A or B) for the purposes of allocating support dollars, we recognize that over time there may be revisions to the BCPM which should be incorporated into the proposed methodology. We also recognize that the BCPM may give way to the Hybrid Cost Proxy Model recently adopted by the Commission.

Therefore, we suggest that any Commission order approving the Petition include a process by which such administrative revisions could be made. The Commission should delegate to an appropriate entity, such as the WUTC or USAC, the authority to make such administrative revisions to the methodology. Such revisions could be initiated by proposal of such entity or any of the Petitioners and should take effect only after such entity takes into account the concerns and comments of all Petitioners. Any Petitioner aggrieved by a decision of the entity should be able to petition the Common Carrier Bureau for review of that decision.

IMPLEMENTATION OF THE METHODOLOGY

The Petition did not expressly specify the entity which would input the data into and run the models and determine actual allocations. We assumed that such tasks would fall to USAC. However, it need not work that way. We suggest that, for an interim period, the Commission direct the WUTC to input the necessary data and run the models and, with the review and approval of the Petitioning Companies, provide USAC (or other designated entity or official) with the necessary information at the appropriate times requested by such entity or official.

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When the WUTC has chosen an administrator for the Washington state universal service fund, that entity would then perform the administrative functions, again subject to review and approval by the Petitioning Companies.

TIMING OF ACTION ON JOINT PETITION

In accordance with 47 C.F.R. §54.307, each competitive local exchange company (CLEC) designated as an eligible telecommunications carrier must give notice to USAC by July 31 of the number of "working loops" it serves to receive federal universal service support. We understand from the December 14 conference call that by July 31, 1998, no such company had given such notice. Therefore, the question was raised about the necessity for the Commission to act on the Petition in the near future.

Despite the lack of immediate competitors in rural Washington designated as eligible telecommunications carriers, the WUTC nevertheless urges the Commission to act on the Petition at the earliest possible date. CLECs making business decisions require certainty of information well ahead of potential actions. CLECs must know the ground rules well in advance of making the business decision to enter rural markets in Washington as eligible telecommunications carriers. For example, if a CLEC is inclined to enter a market in a rural part of the State to compete with a rural company and receive universal service support, the CLEC must still go through the process of being designated as an eligible telecommunications carrier for that service area. Therefore, delaying a decision on the Petition much past the new year likely would cast uncertainty into the rural Washington market for the year 2000 and could have an adverse impact on competitive entry. While the Petitioning Companies may not necessarily share the WUTC's view on how quickly action on the Petition must occur, those companies do agree that if there is going to be competitive entry by CLECs as eligible telecommunications carriers, it is important that the ground rules be known to all companies and that the ground rules not send incorrect economic signals.

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We urge approval of the Petition. The Petitioning Companies reiterate that their support for the Petition is predicated upon approval of the Petition in its entirety.

Sincerely,

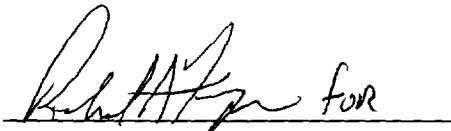
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